

KT 2024 Q3 PT (2024.11.08)

[Young-Kyun Yun - KT Corp - Investor Relations Officer]

(Interpreted) Good morning. I am Young-Kyun Yun, IRO of KT. We will now begin the earnings presentation for the third quarter of 2024. This earnings call is being webcasted live on the company website. Slides are also available for you to follow while listening to this call. Please note that today's presentation includes estimates of financial and operating performance based on K-IFRS that have not been reviewed by an outside auditor. Therefore, other than confirmed historical data, we cannot guarantee the accuracy and completeness of financial and business-related information and may change in the future. Now, Min Jang, CFO of KT will present the earnings for the third quarter of 2024.

[Min Jang - KT Corp - Chief Financial Officer]

(Interpreted) Good morning. I am Min Jang, CFO of KT. The business direction that KT has set for the future is transformation into an AICT company. We plan to lay the foundation for sustainable growth by innovating our core businesses with AICT transformation and expanding customized offerings to customers as an AX partner in the B2B segment. To this end, we have been striving to achieve structural innovation in our skills, businesses and workforce this year.

On September 28th, in order to strengthen our capacity as an AICT company, we made a strategic partnership with Microsoft. The two companies will be engaging in a full range of cooperation in the AI and Cloud areas for the next five years, such as jointly developing the Korean AI/Cloud service. We will also be working together to preoccupy new markets in the AI/IT sector by jointly establishing a company specializing in AX and jointly implementing talent fostering programs.

In addition, we are improving the business portfolio to achieve fundamental and sustainable growth as these efforts lead to stronger profitability for the B2B business. In earnest, the mid-long-term profitability improvement should become more evident.

More recently, as part of the AICT transformation efforts, we are innovating the HR structure to strengthen the competitiveness of the data business. We are planning to merge with KT NexR, a subsidiary specializing in bigdata, while redistributing core capabilities by establishing two new subsidiaries specializing in network services.

On November 5th, KT announced the value of the program which includes the mid-long-term plan to boost shareholder and corporate value. The mid-long-term target is to reach a consolidated ROE of 9 to 10% by 2028. To this end, we plan to triple the AI/IT business revenue compared to 2023 to generate a consolidated operating profit margin of 9%, liquidate noncore assets, and implement a share buyback and cancellation program of KRW 1 trillion in cumulative terms.

Also on October 15th, we declared a cash dividend of KRW 500 per share for Q3 in Q4. We will continue to implement a stable shareholder return program based on the mid-long-term shareholder return policy.

Next, I will go over the financial highlights of 2024 Q3. The group's total consolidated revenue slightly decreased on YoY basis to KRW 6 trillion 654.6billion due to weak performance of the content subsidiary. Despite the growth of the core businesses such as real estate IDC and cloud. On a separate basis revenue rose by 2.0% to KRW 4 trillion KRW 765 billion thanks to the stable growth of the B2C & B2B businesses.

Consolidated and separate operating income jumped 44.2% and 75.1% respectively on YoY basis, which was

mainly driven by the base effect from wage negotiations of 2023 Q3 and profitability enhancement of core businesses.

Now I will go into more detail. Operating revenue amounted to KRW 6 trillion 654 billion, which is similar to the previous year. Operating income increased by 44.2% to KRW 464.1 billion which was mainly driven by the base effect of the 2023 Q3 wage negotiations.

Net income rose by 32.9% to KRW 383.1 billion. Thanks to the growth of operating income, EBITDA increased by 13.4% to KRW 1 trillion 428.1 billion. I will go over the operating expense on the next page, operating expense decreased by 2.9% YoY to KRW 6 trillion 190.5 billion. Due to the reduction of labor cost, SDNA and cost of service. I will now move on to the balance sheet on the next page.

As of September 2024, the debt ratio was 122.8%. The net debt ratio decreased by 8.2% points YoY to 30.3%. Next, I will go over CAPEX. Cumulative CAPEX by KT and main subsidiaries. As of 2024 Q3 amounted to KRW 2 trillion 33.1 billion on a separate basis. Cumulative CAPEX expenditure as of Q3 was KRW 1 trillion 416 billion. The cumulative CAPEX of subsidiaries was KRW 617.8 billion. Next, I will go over the performance of each business unit.

Wireless revenue increased by 1.9% YoY to KRW 1 trillion 740.4 billion. 5G subscribers take up 76% of total handset subscribers and is continuing to grow. KT is expanding the contactless distribution channels to increase customer convenience and boost profitability.

We already have YOGO, a direct online brand which encompasses eight types of payment plans. In August. We released YOGO season 2 and launched a promotion campaign for online only flagship devices. We will continuously work to expand our customer base on contactless channels. Now I will move on to the fixed line business. Broadband revenue stood at KRW 622.2 billion which is a 0.4% YoY growth supported by an increase of the portion of the GiGA subscribers.

In the media business IPTV subscribers maintain a net growth trend. However, PPV and advertising revenue declined, which resulted in a revenue decrease of 1.2% on YoY basis. In Q4, we will be launching the on-device AI setup box to recover revenue and proactively apply AI technology to the entire process of production and distribution of content. Home telephone revenue decreased by 7.6% to KRW 172.2 billion. One next B2B service.

And the increase in demand for AX and the steady growth of services including dedicated lines have contributed to a 2.5% YoY growth of B2B service revenue. I'd like to note that AICC, one of the main drivers of AX is generating double digit growth with the expansion of the subscription model, A'Cen Cloud.

We will continue to pursue quality growth by improving the profitability of low profit businesses. The next page is on major subsidiaries. BC Card posted a revenue of KRW 931.4 billion, which is a 6.5% decrease YoY, mainly due to the decline of credit card sales. However, in contrast, operating income jumped thanks to diligent management of the soundness of financial assets.

Revenue of Skylife declined by 1.4% to KRW 256.9 billion YoY due to reduction of paid TV subscription fees. The content Subsidiary experienced an 18.3% YoY decline in revenue due to the shrinking market. Despite the slow market, drama series that were released in Q3, mainly Your Honor and Dear Harry were successful showing strong future growth potential.

Revenue of KT Cloud grew by 6.8% YoY thanks to higher IDC utilization by global customers and stronger retention of public sector customers and cloud services.

KT estate experienced a revenue growth of 3.6% YoY mainly driven by lease revenue from offices and hotels. The occupancy and average room rate of the five hotels in Seoul that the company operates are continuously on the rise, solidifying the foundation for revenue growth.

This concludes the earnings presentation for 2024 Q3. KT will strive to jump to the next level in terms of corporate value by strictly transforming into an AICT company and successfully implementing the corporate value-up plan. I ask for the continued support and interest of investors and analysts. Thank you

[Young-Kyun Yun - KT Corp - Investor Relations Officer]

(Interpreted) For more details, please refer to the earnings presentation which has been circulated already. We will now begin the Q&A session. Today we have Mr.Jang, Open Tech Innovation Lead, joining us to take questions. To allow as many Q&A opportunities as possible, we will appreciate only two questions per participant. Thank you.